

Comptroller Steals \$53 Million from City Funds

An FBI complaint alleges that Rita Crundwell, the long-serving comptroller of Dixon, Ill., embezzled \$53 million from city funds over two decades. The city's annual budget is now only about \$20 million.

Dixon, Ill., is a town of nearly 16,000 located about 100 miles southwest of Chicago. Its major claim to fame has been that it's the boyhood home of President Ronald Reagan. In April 2012, Dixon began to receive national attention again—this time focused on the massive fraud that the city's 59-year-old comptroller, Rita A. Crundwell, is alleged to have achieved almost single-handedly.

A May 1, 2012, federal indictment charges Crundwell with wire fraud and embezzling approximately \$53 million from the city of Dixon since 1990. Over a 20-year period, this works out to about \$3,300 for every man, woman, and child living in Dixon. If Caldwell is found guilty, this case would represent one of the largest embezzlements of public funds ever perpetrated. The prison time could be as much as 20 years.

Rita Crundwell graduated with honors from Dixon High School in June 1971, having begun her work at City Hall in 1970 as part

of a work-study program. Working for the city, Crundwell continued to gain new responsibilities and move up in job titles. She was appointed comptroller in 1983. She also reportedly played first base during the 1980s for the softball team of Clifton Gunderson, Dixon's independent audit firm at the time. She seemed to avoid politics, having no record of voting since 1998, even in city elections.

During the years, Crundwell pursued an interest in breeding and showing horses. She inherited her first farm property from the estate of her mother, who died in 1984, and kept the property after her 1986 divorce. Crundwell built the first horse stables in 1997, although her salary at the city was a modest \$20,000. In 2000, she undertook a major expansion to the house, doubling the living space to nearly 3,500 square feet. She also built a nearly 20,000-square-foot horse barn in 2006 on another 88-acre property in the area, which she purchased from Richard A. Humphrey, Sr., a family member.

Crundwell specialized in breeding horses known as quarter horses, which can run extremely fast for short distances. According to David Giuliani, in his article,

“Piecing Crundwell Together” (*McClatchy-Tribune Business News*, April 28, 2012), by 2002 Crundwell was “wowing audiences” at the annual world quarter horse championship and on her way to national fame and prominence. She told the local newspaper at the time, “I just love to do it, but there is also the agony of defeat that goes with it. There's a lot of that, too.”

Over the years, Crundwell became “one of the nation's most famous and most successful horse breeders—her ranch has produced 52 world champions,” according to Jim Bret Campbell, spokesman for the American Quarter Horse Association (AQHA). “Rita has owned more world champions than anyone else in our industry,” Campbell said (Alyssa Anderson, “Small Town's Comptroller Steals \$30 million from City's Coopers,” *Left Justified*, April 22, 2012). Most people assumed that the success of her horse farms in Wisconsin and Illinois generated the income for Crundwell to maintain her lavish and wealthy lifestyle.

According to the government's indictment, on December 18, 1990, Crundwell opened a bank account in the name of the City of Dixon, listing “RSCDA c/o Rita



Crundwell” as the account holder. Between December 1990 and April 2012, Crundwell used her position as comptroller to transfer funds between the various bank accounts maintained by the city. For example, the FBI sworn affidavit states that from September 2011 through February 2012, a

Freightliner Truck for \$140,000, a 2009 Chevrolet Silverado pickup truck for \$56,646, and a 2009 Featherlite Horse Trailer for \$259,000.

The sworn affidavit also reports a review of documents provided by American Express showing that between January 2007 and March

from various vendors, averaging more than \$5,380 per month.

While Crundwell was living it up, Dixon was experiencing fiscal difficulties. City workers, for example, have had no raises in the past three years. Crundwell covered for the missing funds by taking advantage of the well-known fiscal difficulties of the State of Illinois and claiming that the city’s hard times were due to nonpayment by the state. While payments from the state were usually late in arriving, they did come.

Crundwell was known as a smart, hands-on executive. She was in charge of picking up the city’s mail at the post office, according to the affidavit. One of Crundwell’s relatives—who isn’t a city employee—performed this task at her direction. Crundwell was out of town frequently because of her horse business, taking an additional 12 weeks of unpaid time in 2011 in addition to the four weeks paid for by the city. She told a horse enthusiasts’ publication in 2003 that her coworkers at City Hall had been accommodating, saying, “They are used to me being gone in August, October, and November.” She said she carried a portable computer back and forth, giving her access to her city e-mail, and also called City Hall every day.

In spite of not being in her office all the time, she was able to fool a number of mayors, finance commissioners to whom she reported, and other city council members. Jim Dixon, the mayor from the mid-1980s to the early 1990s, said, “She was pretty much in charge...she was the go-to person.” And former Finance Com-

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total of approximately \$2.8 million was received representing Dixon’s share of distributions from the state of Illinois. During the same period, the affidavit states that Crundwell transferred \$1.8 million into the RSCDA account she controlled. Between September 2011 and March 2012, she withdrew \$3.3 million from the account. Of this amount, only \$74,274 was related to city operations.

The FBI affidavit also alleges that Crundwell used Dixon funds to pay for her own personal and private business expenses, including horse farming operations, personal credit card payments, real estate, and vehicles. The affidavit identified Crundwell’s vehicle purchases that used funds said to be fraudulently obtained from the city, which included a 2009 Liberty Coach Motor Home for \$2.1 million, a 2009 Kenworth Tractor Truck for \$146,800, a 2009

2012, Crundwell incurred charges of more than \$2.5 million on her personal credit card account. Fifth Third Bank records show that all of these charges were paid by online payments with City of Dixon funds. Charges included more than \$339,000 for jewelry

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missioner Roy Bridgeman praised her upon his leaving office last year, saying, “She looks after every tax dollar as if it were her own.”

It took the sharp eyes of Kathe Swanson, Dixon city clerk, to uncover the fraud in late 2011. Swanson had made a routine request for all bank statements so she could prepare the monthly treasurer’s report in Crundwell’s absence. She noticed the “secret” account with Crudwell’s name and took it to Mayor Jim Burke, who notified the FBI. Over the years, Crundwell misled the independent audit firm hired to express its opinion on Dixon’s financial statements by allegedly creating fictitious invoices purported to be from the State of Illinois to show that the funds she was fraudulently depositing into the RSCDA account were being

used for legitimate purposes.

CliftonLarsonAllen, as Clifton Gunderson became known after its January 1, 2012, merger that made it the eighth-largest U.S. accounting firm according to *Accounting Today*, was Dixon’s audit firm for many years through fiscal 2005. At that time, it recommended that Samuel S. Card, a CPA from the nearby town of Sterling, Ill., perform the audit. Thereafter, Dixon continued to retain the Clifton Gunderson firm, but only to accomplish a compilation of its financial statements and not to express a professional audit opinion on them.

The city plans to hire a new firm to handle the audit for the fiscal year that ended in April. At its May 8, 2012, meeting, the City Council hired the firm of Wipfli LLP to restate the earlier audits

that are believed to be flawed. Headquartered in Milwaukee, Wisc., Wipfli is one of the 25 largest U.S. accounting firms and has an office in Dixon.

It’s ironic that President Reagan’s popular often-quoted saying, “Trust, but verify,” should be so relevant in his own hometown so long after his departure. **SF**

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